

**DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT**

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April 7, 2006

TO: LIHEAP SERVICE PROVIDERS

SUBJECT: 2006 LIHEAP CONTRACT – AMENDMENT NUMBER 2 – Funding Release

On Monday, March 20, 2006, President Bush signed into law S.2320/Public Law 109-204, providing an additional \$1 billion in Low-Income Home Energy Assistance Program (LIHEAP) funding for Federal Fiscal Year (FFY) 2006. The bill reallocates mandatory funds appropriated for LIHEAP under Section 9001 of the Deficit Reduction Act of 2005, and makes the funds available in FFY 2006 instead of FFY 2007. The bill immediately distributes one half of the \$1 billion dollars of which California received approximately \$63 million. The Department of Community Services and Development (CSD) will use these funds to augment the Fiscal Year (FY) 2006 LIHEAP base allocation of \$91.5 million, and will release the additional LIHEAP funding via an amendment to the 2006 LIHEAP Contract. CSD is currently seeking additional fiscal spending authority to encumber and expend additional funding, including the ability to issue contract advances from these funds. We hope to receive fiscal authority approval by June 30, 2006, at which time, CSD will release the additional funding to the network, including contract advances.

On Wednesday, March 29, 2006, CSD held a conference call with the network to discuss strategies and plans for the rollout of the additional funding. The following is a brief summary of the conference call discussion:

- **FUNDING BILL LIMITATIONS:** Provisions of the additional funding bill prohibit CSD from allocating any of the \$63 million towards planning and administrative costs. However, CSD has received approval from the U.S. Department of Health and Human Services (HHS) to add the Emergency LIHEAP Funding award to the initial FY 2006 LIHEAP base award for purposes of determining the total administrative costs. The total administrative costs are to be paid from the initial LIHEAP allocation as illustrated below:

\$91.5 million - Initial FY 2006 Award  
\$63 million - Emergency LIHEAP Funding  
\$154.5 million – Total LIHEAP Funding

\$15.4 - Maximum allowable admin (10% x Total Funding) – the total of which to be paid from \$91.5 million (Initial Funding)

- CONTRACT TERM EXTENSION: As noted above, the additional funds have been appropriated to FFY 2006, and must be used to augment the existing FY 2006 LIHEAP program. To accommodate the additional funding, CSD will extend the term of the existing 2006 LIHEAP Contract to December 31, 2007, thereby, providing an additional 18-months to expend these funds. The total contract term period for the 2006 LIHEAP contract will be: January 1, 2006 through December 31, 2007.
- PRIORITY PLANS and HEAP AND FAST TRACK BENEFIT LEVELS: If desired, Contractors may revise the 2006 PY HEAP and Fast Track benefit levels, Priority Plans, and Goals. Requests for modifying HEAP and FT benefit levels must be submitted to the CLASS Help Desk by May 12, 2006. Revised Priority Plans are also due by May 12, 2006, and should be submitted to your designated Field Representative. Revised Priority Plans/Goals will be executed via the contract amendment.
- ENERGY CRISIS INTERVENTION PROGRAM (ECIP) LOCAL FUNDING PROPOSAL – AMENDMENT I: Provided for your use is an allocation funding spreadsheet that reflects the distribution of the new funds and estimated agency allocation as per the three-factor funding distribution formula. Contractors will be required to complete and submit the enclosed ECIP Local Funding Proposal for the distribution of the additional funding. To complement the allocation funding spreadsheet, an ECIP Local Funding Estimator (a formula driven calculating tool) has been created for your use. By entering factors such as total funding allocation and proposed funding percentages for each LIHEAP component, the local funding estimator will provide you with the corresponding dollar allocation. **Please note** that both the allocation funding spreadsheet and the ECIP Local Funding Estimator provides you with estimates only, but it is our hope that both tools will facilitate the accurate completion of the ECIP local funding proposal and provide a more contextual understanding for how funding percentages are applied.
- CONTRACTOR BUDGET LIMITATIONS AND FLEXIBILITIES: During the conference call, several agencies inquired as to whether CSD would extend flexibility to exceed the budgetary caps of 5% for Outreach and Assurance 16; and allow flexibility to redirect weatherization funding to ECIP and Non-Consideration Program Components (HEAP & Fast Track). Federal statute limits the maximum amount of funds to be used for the purposes of Weatherization, Assurance 16, and Outreach activities. However, it is important to note that state statute sets specific restrictions as to the minimum amount of funding to be allocated for purposes of Weatherization and Outreach, and extends flexibility to services providers for determining funding for Assurance 16 within the maximum allowable limit. The following is a brief summary of extended flexibilities within these areas and reference to applicable sections of California Government Code:

- As per California Government Code, Section 16367.5:
  - WEATHERIZATION: “an amount of not less than 15 percent and up to the maximum of 25% shall be allocated to the weatherization program”. This percentage includes outreach and related services. While there is no flexibility with the initial 15%, agencies will be afforded the ability to redirect the remaining 10% of weatherization funds (contingent on approval of weatherization waiver) to the ECIP and Non-Consideration program components.
  - Assurance 16: “at the discretion of the local service providers, the state shall allocate the maximum amount allowed by federal law”, Section 2605(b) (16). You will note on the enclosed ECIP Local Funding Proposal, CSD has applied the maximum 5% allowable; however, agencies may modify this amount by allocating a lesser amount.
  - OUTREACH: “The department shall allocate 5% of the energy crisis intervention program, and 5% of the direct assistance payment funds to the local service providers for outreach and related services.” At this time, CSD is unable to offer flexibility in this area.

FOR YOUR IMMEDIATE ATTENTION: The ECIP Local Funding Proposal – Amendment I, is available for download via the CSD website. Please complete the proposal in its entirety, sign, date and mail the hardcopy to your Field Representative. In addition, all proposals must be returned to CSD via e-mail to your Field Representative for immediate processing and aggregation of data. Proposals are due no later than April 20, 2006. Your immediate attention to completing this process is requested, as untimely proposals will delay the processing of the amendment and the release of funds. The following documents are available on the CSD’s web site at <http://www.csd.ca.gov> (under Contractor Only):

- ALLOCATION OF ADDITIONAL 2006/07 FY LIHEAP FUNDS SPREADSHEET
- ATTACHMENT IV, ECIP-FT, HEAP, WEATHERIZATION, ASSURANCE 16, AND OUTREACH PRIORITY PLANS, CSD 522G
- 2006 ECIP LOCAL FUNDING PROPOSAL - AMENDMENT I, CSD 612, and instruction sheet
- ECIP LOCAL FUNDING ESTIMATOR

If you have any questions, or require assistance with completing the ECIP Local Funding Proposal, please contact your Field Representative.

Sincerely,  
*ORIGINAL SIGNED BY JASON WIMBLEY*  
JASON WIMBLEY  
Energy Service Division Chief  
Enclosure